

**SUNSHINE RESCUE MISSION INC.**

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT*

June 30, 2021 and 2020





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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Sunshine Rescue Mission Inc.  
Flagstaff, AZ

### ***Opinion***

We have audited the accompanying financial statements of Sunshine Rescue Mission Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Rescue Mission Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunshine Rescue Mission Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunshine Rescue Mission Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

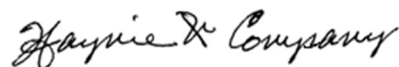
### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunshine Rescue Mission Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunshine Rescue Mission Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Haynie & Company  
Tempe, Arizona  
December 21, 2021

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30,

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<i><b>Current Assets</b></i>		
Cash and cash equivalents	\$ 449,005	\$ 394,259
Cash held in trust	14,233	8,722
Accounts receivable, net	1,500	188
Inventory	36,286	36,743
Prepaid expenses	11,131	17,990
Total Current Assets	512,155	457,902
<i><b>Property and Equipment, net</b></i>	1,490,547	1,610,991
<i><b>Other Assets</b></i>		
Investment	9,160	-
Beneficial interest in assets held	28,028	25,528
Intangibles, net	4,200	4,600
Total Other Assets	41,388	30,128
	<u>\$ 2,044,090</u>	<u>\$ 2,099,021</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i><b>Current Liabilities</b></i>		
Accounts payable	\$ 13,363	\$ 8,267
Accrued expenses	27,163	19,745
Refundable advance	18,570	18,570
Current portion of note payable	-	43,302
Trust funds	14,233	8,722
Total Current Liabilities	73,329	98,606
<i><b>Long-term debt, net of current portion</b></i>	-	73,318
Total Liabilities	73,329	171,924
<i><b>Net Assets</b></i>		
With donor restrictions	1,080,920	1,046,215
Without donor restrictions	889,841	880,882
Total Net Assets	1,970,761	1,927,097
	<u>\$ 2,044,090</u>	<u>\$ 2,099,021</u>

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b><i>Changes in Net Assets</i></b>			
Revenue and Other Support			
Contributions	\$ 751,476	\$ 59,001	\$ 810,477
Gifts-in-kind	212,493	363	212,856
Sales - thrift store	171,406	-	171,406
Grants	92,120	1,500	93,620
Special event contributions	\$11,842		
Less: Cost of direct benefit to donors	<u>(558)</u>		
Net revenues from special events	11,284	-	11,284
Program income	38,160	-	38,160
Rent	2,100	-	2,100
Other income	100	-	100
Loss on disposal of assets	(48,341)	-	(48,341)
Investment gain	8,538	-	8,538
Net assets released from restrictions	<u>26,159</u>	<u>(26,159)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,265,495</u>	<u>34,705</u>	<u>1,300,200</u>
<b><i>Expenses</i></b>			
Program services	1,084,790	-	1,084,790
Management services	95,714	-	95,714
Fundraising services	<u>76,032</u>	<u>-</u>	<u>76,032</u>
Total Expenses	<u>1,256,536</u>	<u>-</u>	<u>1,256,536</u>
Change in Net Assets	8,959	34,705	43,664
<b><i>Net Assets, Beginning of Year</i></b>	<u>880,882</u>	<u>1,046,215</u>	<u>1,927,097</u>
<b><i>Net Assets, End of Year</i></b>	<u><u>\$ 889,841</u></u>	<u><u>\$ 1,080,920</u></u>	<u><u>\$ 1,970,761</u></u>

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b><i>Changes in Net Assets</i></b>			
Revenue and Other Support			
Contributions	\$ 688,937	\$ 20,536	\$ 709,473
Gifts-in-kind	313,109	520	313,629
Sales - thrift store	78,148	-	78,148
Grants	41,500	21,200	62,700
Special event contributions	66,574		
Less: Cost of direct benefit to donors	<u>(13,927)</u>		
Net revenues from special events	52,647	-	52,647
Program income	46,476	-	46,476
Rent	2,308	-	2,308
Other income	413	-	413
Investment loss	(4,951)		(4,951)
Net assets released from restrictions	<u>39,388</u>	<u>(39,388)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,257,975</u>	<u>2,868</u>	<u>1,260,843</u>
<b><i>Expenses</i></b>			
Program services	874,375	-	874,375
Management services	105,894	-	105,894
Fundraising services	<u>63,048</u>	<u>-</u>	<u>63,048</u>
Total Expenses	<u>1,043,317</u>	<u>-</u>	<u>1,043,317</u>
Change in Net Assets	214,658	2,868	217,526
<b><i>Net Assets, Beginning of Year</i></b>	<u>666,224</u>	<u>1,043,347</u>	<u>1,709,571</u>
<b><i>Net Assets, End of Year</i></b>	<u><u>\$ 880,882</u></u>	<u><u>\$ 1,046,215</u></u>	<u><u>\$ 1,927,097</u></u>

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2021

	Program Services						Supporting Services		
	Women's Programs	Men's Programs	Transitional Housing	Job Training	Community Outreach	Total Program Services	Management	Fundraising	Total
Wages	\$ 180,360	\$ 154,774	\$ 17,729	\$ 43,594	\$ 14,231	\$ 410,688	\$ 51,753	\$ 24,897	\$ 487,338
Food and related expenses	41,661	91,165	-	258	1,851	134,935	-	-	134,935
Thrift store - donated merchandise	-	-	-	99,192	-	99,192	-	-	99,192
Utilities	34,660	34,428	17,174	2,473	-	88,735	3,917	1,414	94,066
Depreciation and amortization	63,953	14,653	9,662	583	84	88,935	1,267	407	90,609
Office expenses	3,386	4,853	221	10,989	588	20,037	5,739	37,526	63,302
Employee benefits	30,474	11,685	387	9,202	506	52,254	3,661	254	56,169
Occupancy expenses	-	40	3,250	42,257	-	45,547	-	-	45,547
Program expenses	7,422	24,845	1,972	2,334	1,471	38,044	-	-	38,044
Payroll taxes	13,643	10,635	1,225	3,293	1,017	29,813	4,023	1,881	35,717
Insurance	7,897	8,731	1,971	2,199	2,401	23,199	1,326	147	24,672
Repairs and maintenance	3,610	8,763	2,206	1,190	649	16,418	733	162	17,313
Accounting expenses	-	-	-	-	-	-	16,050	-	16,050
Bank fees	4	-	-	4,792	-	4,796	378	6,113	11,287
Grants	-	-	-	11,204	-	11,204	-	-	11,204
Travel and entertainment	1,965	3,653	79	823	914	7,434	1,349	-	8,783
Professional fees	3,936	1,079	-	-	-	5,015	448	194	5,657
Advertising	-	-	-	3,174	23	3,197	-	2,254	5,451
Training	1,526	1,373	50	50	-	2,999	1,951	27	4,977
Dues and subscriptions	-	-	-	558	-	558	3,109	-	3,667
Licenses and fees	5	286	-	22	270	583	10	756	1,349
Miscellaneous	-	212	-	300	-	512	-	-	512
Contract labor	-	-	-	507	-	507	-	-	507
Bad debt expense	-	188	-	-	-	188	-	-	188
	<u>\$ 394,502</u>	<u>\$ 371,363</u>	<u>\$ 55,926</u>	<u>\$ 238,994</u>	<u>\$ 24,005</u>	<u>\$ 1,084,790</u>	<u>\$ 95,714</u>	<u>\$ 76,032</u>	<u>\$ 1,256,536</u>

*See accompanying notes to financial statements*



**SUNSHINE RESCUE MISSION INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2020

	Program Services						Supporting Services		
	Women's Programs	Men's Programs	Transitional Housing	Job Training	Community Outreach	Total Program Services	Management	Fundraising	Total
Wages	\$ 153,391	\$ 108,064	\$ 26,408	\$ 21,786	\$ 17,067	\$ 326,716	\$ 69,263	\$ 33,000	\$ 428,979
Food and related expenses	51,128	89,789	90	146	1,214	142,367	-	-	142,367
Depreciation and amortization	65,176	12,038	11,218	707	1,333	90,472	693	448	91,613
Utilities	33,906	26,785	14,780	958	176	76,605	1,997	1,530	80,132
Thrift store - donated merchandise	-	-	-	43,255	-	43,255	-	-	43,255
Employee benefits	20,432	2,704	1,661	922	1,305	27,024	7,828	1,281	36,133
Office expenses	2,744	4,595	775	2,718	755	11,587	6,906	15,863	34,356
Program expenses	7,045	21,659	3,850	460	180	33,194	-	-	33,194
Occupancy expenses	-	-	3,900	25,872	-	29,772	-	1,140	30,912
Payroll taxes	11,658	5,367	1,604	1,426	878	20,933	4,094	1,889	26,916
Repairs and maintenance	4,266	16,182	839	232	844	22,363	-	-	22,363
Insurance	7,648	6,774	2,481	1,043	1,850	19,796	1,618	212	21,626
Professional fees	7,951	5,501	-	477	-	13,929	48	-	13,977
Accounting expenses	-	-	-	-	-	-	8,800	-	8,800
Bank fees	-	2	2	1,627	-	1,631	789	6,288	8,708
Travel and entertainment	321	2,800	3	505	2,431	6,060	74	225	6,359
Advertising	18	-	-	5,148	-	5,166	-	84	5,250
Dues and subscriptions	-	-	-	275	-	275	3,033	549	3,857
Training	655	435	25	50	25	1,190	284	129	1,603
Contract labor	-	-	-	1,236	-	1,236	-	-	1,236
Licenses and fees	54	433	45	52	57	641	-	410	1,051
Interest expense	-	-	-	-	-	-	467	-	467
Bad debt expense	-	-	163	-	-	163	-	-	163
	<u>\$ 366,393</u>	<u>\$ 303,128</u>	<u>\$ 67,844</u>	<u>\$ 108,895</u>	<u>\$ 28,115</u>	<u>\$ 874,375</u>	<u>\$ 105,894</u>	<u>\$ 63,048</u>	<u>\$ 1,043,317</u>

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30,

	<b>2021</b>	<b>2020</b>
<b><i>Cash Flows from Operating Activities:</i></b>		
Cash received from donors and grantors	\$ 1,027,467	\$ 951,559
Cash paid to suppliers, grantees and employees	(933,256)	(679,880)
Other income	100	413
Investment gain (loss)	8,538	(4,259)
Miscellaneous	(512)	(692)
	<hr/>	<hr/>
Net Cash Provided By Operating Activities	102,337	267,141
	<hr/>	<hr/>
<b><i>Cash Flows from Investing Activities:</i></b>		
Purchase of fixed assets	(21,091)	(23,291)
Proceeds from sale of fixed assets	3,000	-
Purchase of intangible assets	-	(5,000)
Change in beneficial interest in assets held	(2,500)	9,601
	<hr/>	<hr/>
Net Cash (Used In) Investing Activities	(20,591)	(18,690)
	<hr/>	<hr/>
<b><i>Cash Flows from Financing Activities:</i></b>		
Loan proceeds	-	116,620
Note payable payments	(27,000)	-
	<hr/>	<hr/>
Net Cash Provided by (Used In) Financing Activities	(27,000)	116,620
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	54,746	365,071
	<hr/>	<hr/>
<b><i>Beginning Cash and Cash Equivalents</i></b>	394,259	29,188
	<hr/>	<hr/>
<b><i>Ending Cash and Cash Equivalents</i></b>	<u>\$ 449,005</u>	<u>\$ 394,259</u>

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
<b><i>Reconciliation of Changes in Net Assets to Net Cash</i></b>		
<b><i>Provided By Operating Activities:</i></b>		
Increase in net assets	\$ 43,664	\$ 217,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	90,609	91,613
Loss on disposal of assets	48,341	-
Donated stock	(9,160)	-
PPP loan forgiveness	(89,620)	-
(Increase) Decrease in operating assets		
Accounts receivable	(1,312)	(193)
Inventory	457	(29,273)
Prepaid expenses	6,859	(7,442)
Increase (Decrease) in operating liabilities		
Accounts payable	5,081	(6,091)
Accrued expenses	7,418	(3,714)
Refundable advance	-	6,410
Deferred revenue	-	(1,695)
<b><i>Net Cash Provided By Operating Activities</i></b>	<u><u>\$ 102,337</u></u>	<u><u>\$ 267,141</u></u>
<b><i>Supplemental Disclosures</i></b>		
Noncash Operating transactions:		
Gifts-in-kind - received	\$ 212,856	\$ 313,629
Gifts-in-kind - used or sold	\$ (213,313)	\$ (284,629)

*See accompanying notes to financial statements*

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Sunshine Rescue Mission Inc., "the Organization," is a religious organization incorporated on November 6, 1957 in the State of Arizona that provides multiple programs for the temporarily homeless and needy. The Organization provides temporary and transitional housing for men, women, and children, as well as hot meals, food boxes for distribution, material assistance through the redistribution of donated materials, and job training. The general nature and purpose of the Organization is the advancement and promotion of Christianity through religious and educational activities and the extension of charitable assistance to the needy and homeless. The Organization is funded almost entirely by grants and donations.

*Basis of Presentation*

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

See Note C for more information on the composition of net assets with donor restrictions and the release of restrictions.

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

*Cash and Cash Equivalents*

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset in excess of \$1,000. Property and equipment are carried at cost or fair value at the date of donation. Depreciation is recognized using the straight-line method over the assets' useful life.

Intangible Assets

Intangible assets, with the exception of goodwill, are amortized over their estimated useful lives to their estimated residual values, and are reviewed for impairment. The assets are carried at cost less accumulated amortization. For the year ending June 30, 2021, there was no impairment of intangible assets. The net balance of the intangible asset as of June 30, 2021, is \$4,200.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions received which are conditional on future events will be recorded as Refundable Advances until the qualifying event occurs. Program revenue is recognized when earned. Program revenue received in advance will be deferred until earned.

Income Taxes

The Organization is a public charity, nonprofit organization as defined in the Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income taxes. It is subject to tax on income unrelated to its exempt purpose unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Contributions

donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of in-kind goods are recognized as donations if the donation is integral to the mission of the Organization and used to provide its program services. During the years ended June 30, 2021 and 2020, the value of contributed food was material and has been recorded in the financial statements. Food for meals served in both the men's and women's programs, as well as food boxes provided at Thanksgiving, are substantially provided by donated groceries from local stores and individuals. The value of these donations is based on the average food cost to provide a meal or food box and was estimated at \$104,466 and \$128,961, respectively.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Fair Value Measurements

Fair value is defined as the price the Organization would receive upon selling an asset in an orderly transaction to an independent buyer in the principal market of the asset. A three-tier hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are those that reflect assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1    Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2    Other observable inputs, either directly or indirectly, including:
  - Quoted prices for similar assets/liabilities in active markets.
  - Quoted prices for identical or similar assets in non-active markets.
  - Inputs other than quoted prices that are observable for the asset/liability; and,
  - Inputs that are derived principally from or corroborated by other observable market data.

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Fair Value Measurements (Cont'd)

- |         |  |
|---------|--|
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets such as published catalogs, vendors, independent appraisals, and other sources. Methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales can be used. |
|---------|--|

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the asset falls is determined based on the lowest level input that is significant to the asset in its entirety.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the years ended June 30, 2021 and 2020, the Organization received \$405 and \$17,039, respectively, in donated professional services.

Thrift Store Donations

Contributions to the Organization's thrift store are received in the form of goods such as clothing, household furnishings, and appliances. These items are sorted, processed, and distributed at the thrift store. Items which cannot be retailed or reconditioned are sold as salvage. Collection, sorting, processing, renovation, and distribution costs are charged to operations as incurred.

Program Service Fees

Program service fees have been established for participants in the transitional housing program. These fees provide for shelter, meals, and a variety of other services including counseling, assistance with resolving financial issues and transportation for medical services. Additional services are determined on a case by case basis.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Inventory

Inventory for the shelters consists of donated food and supplies on hand at June 30, 2021 and 2020. Inventory is valued on the first in, first out basis. Value is determined by end of year list price at discount food stores, which management believes approximates fair market value based on rate of food turnover.

Inventory for the Thrift Store consists of clothing and household items. There is no purchased inventory. Donated inventory is recorded at the fair value of the donated goods at the date of donation using level 3 inputs. Inventory is sold in the store.

Inventory at year-end June 30,:

	<u>2021</u>	<u>2020</u>
Thrift store	\$ 25,002	\$ 22,313
Food	9,364	11,880
Non-food held for resale	<u>1,920</u>	<u>2,550</u>
Total Inventory	<u>\$ 36,286</u>	<u>\$ 36,743</u>

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The Organization allocates costs based on direct identification if possible if the costs benefit more than one area, costs are allocated on a variety of bases including payroll hour distribution, population, and usage.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended June 30, 2021 and 2020, advertising costs were \$5,451 and \$5,250, respectively.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Date of Management's Review

In preparing the financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through December 21, 2021, the date the financial statements were available for issuance.



**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE B – AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30,:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 449,005	\$ 394,259
Other receivable	<u>1,500</u>	<u>188</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 450,505</u>	<u>\$ 394,447</u>

The Organization tries to target a year-end balance of unrestricted, undesignated net assets to meet 15-30 days of expected expenditures. The Organization receives significant contributions from donors which are available to meet annual cash needs for general expenditures. During the years ended June 30, 2021 and 2020, the Organization was able to meet its cash needs. While not pledged, many churches and individuals donate to the Organization on a monthly basis. The Organization receives the bulk of its non-monthly donations during the November – December time period. Financial assets in excess of daily cash requirements are invested in certificates of deposit and money market funds. The organization purchased a Thrift Store during fiscal year 2020 to enhance its cash flow position.

**NOTE C – INVESTMENTS**

The following is a summary of investments at June 30,:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Common stocks	\$ 9,160	\$ -
Endowment fund	<u>28,028</u>	<u>25,528</u>
	<u>\$ 37,188</u>	<u>\$ 25,528</u>

As of June 30, 2021 and 2020, all investments were considered level 1 investments.

Investment income consisted of the following at June 30,:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Dividends	\$ 19	\$ 332
Interest	298	569
Investments fees	(471)	798
Realized gains (losses)	<u>8,692</u>	<u>(5,958)</u>
	<u>\$ 8,538</u>	<u>\$ (4,259)</u>

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2021, donor restricted net assets consisted of a grant from the Affordable Housing Program (AHP) and funds for furniture, bus passes, hygiene, family services, women's job training, transitional programs, and other needs. The grant had a purpose restriction for use in the construction of the new women's facility which was met in fiscal year 2010, and a time restriction requiring use as a shelter for 15 years. The total in net assets with donor restrictions was \$997,140, the amount of the grant from AHP at the

**SUNSHINE RESCUE MISSION INC.**  
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JUNE 30, 2021

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (CONT'D)**

close of the period. Purpose restricted cash and cash equivalents and investments totaled \$66,280. Perpetual restrictions totaled \$17,500 as discussed in Note E.

Net assets with donor restrictions were as follows for the years ended June 30,:

	<u>2021</u>	<u>2020</u>
Specific Purpose		
NHC building	\$ 997,140	\$ 997,140
Purpose restricted net assets	66,280	31,575
Perpetual restrictions	<u>17,500</u>	<u>17,500</u>
	<u>\$ 1,080,920</u>	<u>\$ 1,046,215</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions		
Purpose restricted net assets	\$ 23,659	\$ 39,387
Perpetual restrictions	<u>2,500</u>	<u>-</u>
	<u>\$ 26,159</u>	<u>\$ 39,387</u>

**NOTE E – DONOR RESTRICTED NET ASSETS WITH PERPETUAL RESTRICTIONS**

During the 2013 fiscal year the Organization received a donation of \$10,000 in cash to be perpetually restricted and the earnings used to benefit the Dorsey Manor transitional program. An additional contribution of \$2,500 was received in 2016, and \$5,000 in 2018. The Organization has transferred this cash to the Arizona Community Foundation, and it is held as endowment fund. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization will utilize the Foundation's investment policies to achieve its endowment objectives. Arizona Community Foundation's current spending policy is to distribution an amount equal to approximately 5% of the previous twelve quarters average balance of the funds' liquid assets. Based on the spending policy, over the long term the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns.

**NOTE F – ACCRUED EXPENSES**

Accrued expenses at June 30, 2021 and 2020, consisted of \$27,163 and \$19,745, respectively, for payroll and payroll taxes.

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 2,003,112	\$ 2,030,526
Land and land improvements	312,249	348,549
Furniture and equipment	210,767	196,744
Vehicles	54,825	54,825
Construction in progress	10,000	10,001
Less: Accumulated depreciation	<u>(1,100,406)</u>	<u>(1,029,654)</u>
	<u>\$ 1,490,547</u>	<u>\$ 1,610,991</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$90,209 and \$91,213, respectively.

**NOTE H – INTANGIBLES**

Intangibles consisted of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Goodwill	\$ 3,000	\$ 3,000
Covenant not to compete	2,000	2,000
Less: Accumulated amortization	<u>(800)</u>	<u>(400)</u>
	<u>\$ 4,200</u>	<u>\$ 4,600</u>

Amortization expense for the year ended June 30, 2021 and 2020, was \$400.

**NOTE I – COMMITMENTS**

The Organization signed a rental agreement for the period from November 1, 2019, through October 31, 2021, at a rate of \$2,500 per month.

Minimum future annual contract payments are as follows for the year end June 30,:

<u>Year</u>	<u>Amount</u>
2022	\$ 10,000

**NOTE J – CONTINGENT LIABILITIES**

Under the terms of the grant agreement with the Affordable Housing Program (AHP), the Organization agreed to-operate the women's shelter for 15 years, resulting in a donor restricted net asset for that period. If the Organization ceased to operate the shelter at any time during that period, it would be required to repay the entire grant amount. AHP also requires a deed restriction or other legally enforceable retention agreement between the funding bank and the Organization incorporating the requirements to operate a women's shelter for 15 years as specified in the grant application. A sale of the property without the transfer of the deed restriction or other legally enforceable retention agreement during the 15-year period would also result in the Organization's obligation to repay the entire grant. The board and management, based on the Organization's long history of operations, believe this contingent liability, while possible, is not probable, and have not recorded it as a liability on the financial statements of the Organization in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450-20-50-4. This contingency has a remaining period of 5 years.

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE K – GIFTS-IN-KIND**

Gifts-in-kind consisted of the following for the year ended June 30, 2021:

	<u><b>Food</b></u>	<u><b>Thrift Store</b></u>	<u><b>Miscellaneous</b></u>	<u><b>Total</b></u>
Undistributed Gifts-in-kind				
Inventory, Beginning of year	\$ 11,880	\$ 22,313	\$ 2,550	\$ 36,743
Gifts-in-kind:				
Donations	104,466	101,881	6,509	212,856
Gifts-in-kind distributed:				
Used or sold	<u>(106,982)</u>	<u>(99,192)</u>	<u>(7,139)</u>	<u>(213,313)</u>
Undistributed Gifts-in-kind				
Inventory, End of year	<u>\$ 9,364</u>	<u>\$ 25,002</u>	<u>\$ 1,920</u>	<u>\$ 36,286</u>

Gifts-in-kind consisted of the following for the year ended June 30, 2021:

<b>FY20-21 Contributed Nonfinancial Assets</b>				
<b>Donation Type</b>	<b>Revenue Recognized</b>	<b>Utilization in Programs/Activities</b>	<b>Donor Restrictions</b>	<b>Valuation Techniques &amp; Input</b>
Food	\$104,466	Food donated for meals at men's & women's shelters	To be used at shelters	In evaluating food donations, SRM uses average meal cost and number of meals served minus cost of food purchased. EOY inventory is done and adjustment made based on prior year EOY inventory
Pest Control Services	405	Men's shelter	None	SRM uses price on invoice
Miscellaneous donations. Office Supplies	1,440	Misc. donations used for office and various programs	None	In evaluating these donations, SRM used the actual cost
Furniture and Equipment	4,339	Men's shelter	None	In evaluating these donations, SRM used the actual cost
Vehicle	325	Sold as fundraising	Funds to be used for programs	In evaluating vehicle purchases, SRM uses the Kelley Blue Book value
Thrift Store Donations	101,881	Job Training Program	None	Valued using IRS guide
<b>Total</b>	\$212,856			

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE K - GIFTS-IN-KIND (CONT'D)**

Gifts-in-kind consisted of the following for the year ended June 30, 2020:

	<u><b>Food</b></u>	<u><b>Thrift Store</b></u>	<u><b>Miscellaneous</b></u>	<u><b>Total</b></u>
Undistributed Gifts-in-kind				
Inventory, Beginning of year	\$ 6,450	\$ -	\$ 1,020	\$ 7,470
Gifts-in-kind:				
Donations	128,961	47,994	136,674	313,629
Gifts-in-kind distributed:				
Used or sold	<u>(123,531)</u>	<u>(25,681)</u>	<u>(135,144)</u>	<u>(284,356)</u>
Undistributed Gifts-in-kind				
Inventory, End of year	<u>\$ 11,880</u>	<u>\$ 22,313</u>	<u>\$ 2,550</u>	<u>\$ 36,743</u>

Gifts-in-kind consisted of the following for the year ended June 30, 2020:

<b>FY19-20 Contributed Nonfinancial Assets</b>				
<b>Cargo Type</b>	<b>Revenue Recognized</b>	<b>Utilization.in Programs/Activities</b>	<b>Donor Restrictions</b>	<b>Valuation Techniques &amp; Input</b>
Food	\$ 128,961	Food donated for meals at men's & women's shelters	To be used at shelters	In evaluating food donations, the Organization uses average meal cost and number of meals served minus cost of food purchased
Stock	111,946	Donated for use in paying the bills at shelter	No donor restrictions	In evaluating stock donations, the Organization uses the historical price on date stock is received at Edward Jones
Thrift Store	47,994	Job Training Program	None	Valued using IRS guide
Professional Services	15,500	Counseling was used in Men's NLF program; 2 months' salary for Executive Director while she was volunteering her services; Repair to walk-in cooler	Counseling was only for men in NLF program. Remaining no donor restrictions.	Counseling services valued at standard billing rates; Executive Director salary computed at a base salary level; repair to walk-in based on what it would cost
Miscellaneous donations. Office Supplies	3,168	Business cards, Software fees waived, used for food and other supplies needed at shelters, Food used for Thanks-giving food box giveaway, fundraising	No donor restrictions	In evaluating these donations, the Organization used retail cost

**SUNSHINE RESCUE MISSION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2021

**NOTE K - GIFTS-IN-KIND (CONT'D)**

Advertising - Special Event	2,880	Advertising for special event – Bikes 4 Beds, a motorcycle rally	Bikes to be used for advertising event	In evaluating advertising, the Organization used fair value per spot provided by radio station at \$10 per spot
Advertising	1,500	Used for advertising opening of thrift store	No donor restrictions	In evaluating this donation, the Organization used the actual cost AZ Daily Sun would have charged
Storage Unit	1,140	Used for storing financial records, St. Mary's food rescue reports, supplies for Thanksgiving & Christmas celebrations	No donor restrictions	In evaluating the storage unit donated, the Organization used the cost when storage unit was first acquired
Pest Control Services	540	Men's shelter	No donor restrictions	The Organization uses price on invoice
<b>Total</b>	<b>\$ 313,629</b>			

**NOTE L – BENEFICIAL INTEREST IN ARIZONA COMMUNITY FOUNDATION**

The Organization has transferred assets to the Arizona Community Foundation (the Foundation), which is holding them as a reserve fund and an endowment fund for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Trustees the power to use the fund for other purposes in certain circumstances. The reserve fund can be returned to the Organization upon request. Reserve funds are required to maintain a minimum balance of \$25,000. If the balance falls below \$5,000 for more than a year, and other conditions are not met, the Foundation may close the fund at the discretion of the Foundation's Board of Directors. The Foundation shall hold, manage, invest, and reinvest the nonprofit reserve fund and pay and disburse agreed upon distributions. A portion of the earned income can be distributed in set annual payments or reinvested. During the year ended June 30, 2016, the Organization established an additional endowment fund which is also held at the Arizona Community Foundation and recorded as a "Beneficial Endowment Interest in the Assets of the Arizona Community Foundation". It does not have the same rights of return as does the reserve fund. The balance in this fund was \$28,028 and \$25,528, respectively at June 30, 2021 and 2020.

**NOTE M – NOTE PAYABLE**

On May 6, 2020, the Organization received loan proceeds of \$89,620 from the Paycheck Protection Program (the Note) established by the CARES Act, implemented by the Small Business Administration with support from the Department of the Treasury and funded through a local bank. The Note had a twenty-four-month term, bears interest at the rate of 1.00% per annum, and could be prepaid at any time without payment of any premium. Per the terms of the loan agreement, principal or interest were deferred during. During the year ended June 30, 2021, the loan was forgiven. The Organization has treated the loan as a grant.

On October 28, 2019, the Organization entered into an agreement to purchase a thrift store resulting in a note payable of \$30,000. The Organization paid \$1,000 a month until the loan was paid in full with payments beginning on February 1, 2020 at an interest rate of 4%. During the year ended June 30, 2021, the Organization paid the note in full.

**SUNSHINE RESCUE MISSION INC.**  
***NOTES TO FINANCIAL STATEMENTS***  
**JUNE 30, 2021**

**NOTE N – RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. The long-term effects of this global pandemic are unknown but may have significant consequences to the Organization’s fundraising efforts and the ability to fund its programs in the future.